Joe Morolong Local Municipality
(Demarcation Code NC451)
Annual Financial Statements

For the year ended June 30, 2019
Auditor General of South Africa

General Information

Legal form of entity	Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the Republic of South Africa (Act 108 of1996)
Nature of business and principal activities	Municipality
Mayoral Committee	
Executive Mayor	Councillor Leutlwetse D.D.
Speaker	Councillor Jordan V.
Councillors	Councillor Block J. Councillor Dioka S. Councillor Erabang O. Councillor Gaobodiwe O.H. Councillor Gomolemo O.N. Councillor Gwai L. Councillor Josop D. Councillor Kaebis L. Councillor Kaotsane G.G. Councillor Katong J. Councillor Kgopodithata O.H. Councillor Lentsela S. Councillor Makoku M. Councillor Matebese L. Councillor Matsioloko O. Councillor Modise K.J. Councillor Mokgautsi O. Councillor Morogong N. Councillor Mosegedi K.P. Councillor Nhlapo M. Councillor Segano S. Councillor Seikaneng L.F. Councillor Sephekolo M.G. Councillor Sesing T. Councillor Tagane G. Councillor Tswere N. Councillor Witbooi P.J.
Grading of local authority	1
Chief Finance Officer (CFO)	Mrs B. D. Motlhaping
Accounting Officer	Mr T.M. Tlhoaele
Registered Office	D320 Cardington Road Churchill Village Mothibistad Kuruman 8474
Business Address	D320 Cardington Road Churchill Village Mothibistad Kuruman 8474
Postal Address	Private Bag X117 Mothibistad Kuruman

General Information

	8474
Bankers	Standard Bank ABSA Nedbank
Auditors	Auditor General of South Africa

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The reports and statements set out below comprise the Annual Financial Statements presented to the Joe Morolong Local Municipality:

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Abbreviations

ABSA	Amalgamated Banks of Southern Africa
DBSA	Development Bank of South Africa
EPWP	Expanded Public Works Programme
FMG	Financial Management Grant
FNB	First National Bank
GRAP	Generally Recognised Accounting Practice
HIV	Human Immuno-deficiency Syndrome
IGRAP	Interpretation of Standards of Generally Recognised Accounting Practice
LED	Local Economic Development
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
MWIG	Municipal Water Infrastructure Grant
PAYE	Pay As You Earn
PFMA	Public Finance Management Act
SALGA	South Africal Local Government Association
SALGBC	South Africal Local Government Bargaining Council
SARS	South African Revenue Services
SCM	Supply Chain Management
SDL	Municipal Entities
UIF	Unemployment Insurance Fund
VAT	Value Added Tax
WSI	Water Services Infrastructure

Accounting Officer's Responsibility and Approval

The Accounting Officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the Annual Fnancial Statements and related financial information included in this report. It is the responsibility of the Accounting Officer to ensure that the Annual Financial Statements fairly present the state of affairs of the Municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the Annual Financial Statements and were given unrestricted access to all financial records and related data.

The Annual Financial Statements were prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) as well as relevant interpretations, guidelines and directives issued by the Accounting Standards Board.

The Annual Financial Statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Accounting Officer (accounting authority), acknowledges that he is ultimately responsible for the system of internal financial controls established by the Municipality and places considerable importance on maintaining a strong control environment. To enable him to meet these responsibilities, he has set standards for internal control aimed at reducing the risk of error or deficit in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Municipality and all employees are required to maintain the highest ethical standards in ensuring the Municipality’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Municipality is on identifying, assessing, managing and monitoring all known forms of risk across the Municipality. While operating risk cannot be fully eliminated, the Municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

In the Accounting Officer's opinion, based on the information and explanations given by management, the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the Annual Financial Statements. However, any system of internal financial control can provide only reasonable, and not absolute assurance against material misstatement or deficit.

The Accounting Officer has reviewed the Municipality’s cash flow forecast for the year to 30 June 2020 and, in light of this review and the current financial position, he is satisfied that the Municipality has access to adequate resources to continue in operational existence for the foreseeable future.

The Municipality is partially dependent on the community for continued funding of operations. The Annual Financial Statements are prepared on the basis that the Municipality is a going concern and that the Joe Morolong Local Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the Municipality.

Although he is primarily responsible for the financial affairs of the Municipality, this is supported by the Municipality's external auditors.

The Accounting Officer would like to bring to your attention the following material matters:

The Accounting Officer certifies that the salaries, allowances and benefits of Councillors as disclosed in note 27 to these Annual Financial Statements are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act, Act 20 of 1998 and the Minister of Provincial and Local Government’s determination in accordance with the Act.

The external auditors are responsible for independently reviewing and reporting on the Municipality's Annual Financial Statements. The Annual Financial Statements have been examined by the Municipality's external auditors and their report is presented on page 7.

The Annual Financial Statements set out on page 1-70, which have been prepared on the going concern basis, were approved by the Accounting Officer on 31 August 2019 and were signed on its behalf by:

Mr T.M. Tlhoaele
Accounting Officer

Audit Committee Report

We are pleased to present our report for the financial year ended June 30, 2019.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet 4 times per annum as per its approved terms of reference. During the current year 3 number of meetings were held.

Name of member	Designation
F.E. Tshimomola	Acting Chairperson
Buys R.	Member
Simelane S.	Member

Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 166 (2)(a) of the MFMA and Treasury Regulation 3.1.

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

Evaluation of annual financial statements

The audit committee has:

- reviewed and discussed the audited Annual Financial Statements to be included in the annual report, with the Auditor-General and the Accounting Officer;
- reviewed the Auditor-General of South Africa's management report and management's response thereto;
- reviewed changes in accounting policies and practices (delete if not applicable);
- reviewed the entities compliance with legal and regulatory provisions;
- reviewed significant adjustments resulting from the audit.

The audit committee concur with and accept the Auditor-General of South Africa's report the annual financial statements, and are of the opinion that the audited annual financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

Internal audit

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits.

Auditor-General of South Africa

The audit committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

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Chairperson of the Audit Committee

Date: ______________________________

Statement of Financial Position as at June 30, 2019

Figures in Rand	Note(s)	2019	2018 Restated*
ASSETS			
Current Assets			
Cash and Cash Equivalents	3	3,736,418	698,773
Inventories	4	1,666,576	1,483,410
Receivables from Exchange Transactions	5	106,950,506	84,467,957
Receivables from Non-Exchange Transactions	6	36,662,542	51,058,026
VAT receivable	7	30,139,575	43,922,399
		179,155,617	**181,630,565**
Non-Current Assets			
Property, Plant and Equipment	8	1,286,536,423	1,834,579,327
Intangible Assets	9	980,829	265,906
		1,287,517,252	**1,834,845,233**
TOTAL ASSETS		**1,466,672,869**	**2,016,475,798**
LIABILITIES			
Current Liabilities			
Other Financial Liabilities	10	196,450	234,052
Finance Lease Obligation	11	-	3,198,261
Payables from Exchange Transactions	12	79,638,149	49,867,720
Consumer Deposits	13	10,635	10,635
Employee Benefit Obligation	14	3,491,320	3,976,356
Unspent Conditional Grants and Receipts	15	6,402,893	6,143,529
Bank Overdraft	3	4,578	9,017,501
		89,744,025	**72,448,054**
Non-Current Liabilities			
Other Financial Liabilities	10	1,002,457	1,055,891
Employee Benefit Obligation	14	1,701,119	1,660,628
Provisions	16	1,984,315	3,952,365
		4,687,891	**6,668,884**
TOTAL LIABILITIES		**94,431,916**	**79,116,938**
NET ASSETS		**1,372,240,953**	**1,937,358,860**
Accumulated Surplus		1,372,240,953	1,937,358,860

* See Note 52

Statement of Financial Performance

Figures in Rand	Note(s)	2019	2018 Restated*
REVENUE			
Revenue from Exchange Transactions			
Service Charges	18	11,636,895	20,630,944
Miscellaneous Income	19	98,162	132,176
Rental of Facilities and Equipment	20	30,052	60,011
Interest from Arrear Accounts	21	12,367,126	12,594,897
Other Income	22	253,808	511,676
Interest Received on Investments	23	1,517,713	1,585,333
Total Revenue from Exchange Transactions		**25,903,756**	**35,515,037**
Revenue from Non-Exchange Transactions			
Taxation Revenue			
Property Rates	24	19,803,708	26,651,751
Transfer Revenue			
Government Grants and Subsidies	25	247,697,027	220,868,441
Public Contributions and Donations	26	1,252,628	1,082,487
Total Revenue from Non-Exchange Transactions		**268,753,363**	**248,602,679**
Total Revenue	17	**294,657,119**	**284,117,716**
Expenditure			
Employee Related Costs	27	(69,017,492)	(68,337,731)
Remuneration of Councillors	28	(11,554,688)	(11,033,007)
Depreciation and Amortisation	29	-	(47,597,968)
Finance Costs	30	(201,187)	(725,642)
Operating Lease Rentals	31	(3,412,468)	(4,680,894)
Debt Impairment	32	-	(85,108,279)
Bulk Purchases	33	(11,866,854)	(15,032,554)
Contracted Services	34	(24,089,692)	(15,694,345)
Transfers and Subsidies	35	(13,143,038)	(34,902,779)
General Expenses	36	(36,469,856)	(32,895,612)
Total Expenditure		**(169,755,275)**	**(316,008,811)**
(Deficit) Surplus for the year		**124,901,844**	**(31,891,095)**

* See Note 52

Statement of Changes in Net Assets

Figures in Rand	Accumulated Surplus	Total net assets
Balance at July 1, 2017	**1,969,249,955**	**1,969,249,955**
Changes in Net Assets		
Surplus for the year	(31,891,095)	(31,891,095)
Total Changes	(31,891,095)	(31,891,095)
Opening balance as previously reported	1,918,705,880	1,918,705,880
Adjustments		
Prior year adjustments	(671,366,771)	(671,366,771)
Restated* Balance at July 1, 2018 as restated*	**1,247,339,109**	**1,247,339,109**
Changes in Net Assets		
Surplus for the year	124,901,844	124,901,844
Total Changes for the year	124,901,844	124,901,844
Balance at June 30, 2019	**1,372,240,953**	**1,372,240,953**

Note(s)

* See Note 52

Cash Flow Statement

Figures in Rand	Note(s)	2019	2018 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		24,387,043	26,256,368
Grants	15&25	247,697,027	227,053,000
Interest Income	23	1,517,713	1,585,333
Other receipts		1,252,628	-
		274,854,411	254,894,701
Payments			
Employee Costs		(80,572,180)	(75,131,700)
Suppliers		(88,073,181)	(88,654,403)
Finance Costs	30	(201,187)	(735,752)
		(168,846,548)	(164,521,855)
Net cash flows from operating activities	38	**106,007,863**	**90,372,846**
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(92,276,747)	(77,172,262)
Purchase of other intangible assets	9	-	(24,963)
Interest Income		1,517,713	-
Net cash flows from investing activities		**(90,759,034)**	**(77,197,225)**
Cash flows from financing activities			
Repayment of other financial liabilities	10	(91,036)	(378,094)
Finance lease payments	11	(3,198,261)	(4,680,894)
Net cash flows from financing activities		**(3,198,261)**	**(5,058,988)**
Net increase/(decrease) in cash and cash equivalents		**12,050,568**	**8,116,633**
Cash and cash equivalents at the beginning of the year		(8,318,728)	(16,435,361)
Cash and cash equivalents at the end of the year	3	**3,731,840**	**(8,318,728)**

* See Note 52

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from Exchange Transactions						
Service Charges	20,334,000	-	**20,334,000**	11,636,895	**(8,697,105)**	
Royalty income	-	-	**-**	98,162	**98,162**	
Rental of facilities and equipment	29,000	-	**29,000**	30,052	**1,052**	
Interest received (trading)	5,050,000	-	**5,050,000**	12,367,126	**7,317,126**	1
Other income - (rollup)	2,176,000	-	**2,176,000**	253,808	**(1,922,192)**	
Other income 3	28,145	-	**28,145**	-	**(28,145)**	
Interest received - investment	847,424	-	**847,424**	1,517,713	**670,289**	
Total revenue from exchange transactions	**28,464,569**	**-**	**28,464,569**	**25,903,756**	**(2,560,813)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	29,848,447	-	**29,848,447**	19,803,708	**(10,044,739)**	
Transfer revenue						
Government grants & subsidies	231,696,000	-	**231,696,000**	247,697,027	**16,001,027**	
Public contributions and donations	-	-	**-**	1,252,628	**1,252,628**	
Total revenue from non-exchange transactions	**261,544,447**	**-**	**261,544,447**	**268,753,363**	**7,208,916**	
Total revenue	**290,009,016**	**-**	**290,009,016**	**294,657,119**	**4,648,103**	
Expenditure						
Employee Costs	(62,061,097)	-	**(62,061,097)**	(69,017,492)	**(6,956,395)**	a
Remuneration of councillors	(10,423,014)	-	**(10,423,014)**	(11,554,688)	**(1,131,674)**	b
Depreciation and amortisation	(10,000,000)	-	**(10,000,000)**	-	**10,000,000**	c
Finance costs	(655,983)	-	**(655,983)**	(201,187)	**454,796**	d
Lease rentals on operating lease	(17,920,000)	-	**(17,920,000)**	(3,412,468)	**14,507,532**	e
Bulk purchases	(13,339,502)	-	**(13,339,502)**	(11,866,854)	**1,472,648**	g
Contracted Services	(15,278,638)	-	**(15,278,638)**	(24,089,692)	**(8,811,054)**	h
Transfers and Subsidies	(20,208,367)	-	**(20,208,367)**	(13,143,038)	**7,065,329**	i
General Expenses	(47,167,455)	-	**(47,167,455)**	(36,469,856)	**10,697,599**	
Total expenditure	**(197,054,056)**	**-**	**(197,054,056)**	**(169,755,275)**	**27,298,781**	
Surplus before taxation	**92,954,960**	**-**	**92,954,960**	**124,901,844**	**31,946,884**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**92,954,960**	**-**	**92,954,960**	**124,901,844**	**31,946,884**	
Reconciliation						

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	7,900,052	(6,416,643)	**1,483,409**	1,666,576	**183,167**	
Receivables from exchange transactions	-	-	**-**	18,652,976	**18,652,976**	
Receivables from Non-Exchange Transactions	44,158,613	-	**44,158,613**	36,662,542	**(7,496,071)**	
VAT receivable	-	-	**-**	30,139,575	**30,139,575**	
Consumer debtors	39,406,305	26,350,000	**65,756,305**	106,950,506	**41,194,201**	
Cash and Cash Equivalents	23,125,689	-	**23,125,689**	3,731,840	**(19,393,849)**	
	114,590,659	**19,933,357**	**134,524,016**	**197,804,015**	**63,279,999**	
Non-Current Assets						
Property, Plant and Equipment	1,924,846,843	368,072	**1,925,214,915**	1,286,536,423	**(638,678,492)**	
Intangible Assets	357,800	-	**357,800**	980,829	**623,029**	
	1,925,204,643	**368,072**	**1,925,572,715**	**1,287,517,252**	**(638,055,463)**	
Total Assets	**2,039,795,302**	**20,301,429**	**2,060,096,731**	**1,485,321,267**	**(574,775,464)**	
Liabilities						
Current Liabilities						
Other Financial Liabilities	194,978	-	**194,978**	196,450	**1,472**	
Payables from Exchange Transactions	69,940,000	-	**69,940,000**	79,638,149	**9,698,149**	
Consumer deposits	-	-	**-**	10,635	**10,635**	
Employee Benefit Obligation	-	-	**-**	3,491,320	**3,491,320**	
Unspent Conditional Grants and Receipts	-	-	**-**	6,402,893	**6,402,893**	
Provisions	6,433,000	-	**6,433,000**	-	**(6,433,000)**	
Bank Overdraft	9,018,000	-	**9,018,000**	-	**(9,018,000)**	
	85,585,978	**-**	**85,585,978**	**89,739,447**	**4,153,469**	
Non-Current Liabilities						
Other Financial Liabilities	1,040,276	-	**1,040,276**	1,002,457	**(37,819)**	
Employee Benefit Obligation	-	-	**-**	1,701,119	**1,701,119**	
Provisions	-	-	**-**	1,984,315	**1,984,315**	
	1,040,276	**-**	**1,040,276**	**4,687,891**	**3,647,615**	
Total Liabilities	**86,626,254**	**-**	**86,626,254**	**94,427,338**	**7,801,084**	
Net Assets	**1,953,169,048**	**20,301,429**	**1,973,470,477**	**1,390,893,929**	**(582,576,548)**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated Surplus	1,953,169,048	20,301,429	**1,973,470,477**	1,390,893,929	**(582,576,548)**	

Accounting Policies

The financial statements of Joe Morolong Local Municipality for the year ended 30 June 2019 were authorized for issue Accounting Officer on 31 August 2019. (Page 1)

These Annual Financial Statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The Annual Financial Statements were prepared on the accrual basis of accounting and incorporate the historical cost conventions as the basis of measurement, except where specified otherwise.

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Receivables

The Municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions may change and this may impact our estimations and require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors together with economic factors such as exchange rates, inflation and interest rates.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 16 - Provisions.

Contingent provisions on entity combinations

Contingencies recognised in the current year required estimates and judgments, refer to note on entity combinations.

Useful lives and residual values

The Municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 14.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Long Service Awards

The long service awards liability arises from the municipality being part a partof Collective Agreement and Conditions of Service Northern Cape Division of SALGBC. The long service award plan is a defined benefit plan accounted for in terms of GRAP.

Accounting Policies

1.4 Inventories

Inventories are recognised as an asset if it is probable that future economic benefits or service potential associated with the itme are expected to flow to the Municipality, and the cost of the inventories can be measured reliably.

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are issued, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.5 Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity’s statement of financial position.

Accounting Policies

1.5 Financial Instruments (continued)

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm’s length transaction.

A financial asset is:
- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
- the entity designates at fair value at initial recognition; or
- are held for trading.

Accounting Policies

1.5 Financial Instruments (continued)

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Receivables from Exchange Transactions	Financial asset measured at amortised cost
Receivables from Non-Exchange Transactions	Financial asset measured at amortised cost
VAT Receivable	Financial asset measured at fair value
Cash and Cash Equivalents	Financial asset measured at amortised cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Payables from Exchange Transactions	Financial liability measured at amortised cost
Consumer Deposits	Financial liability measured at fair value
Bank Overdraft	Financial liability measured at amortised cost
Financial Liabilities	Financial liability measured at amortised cost

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Accounting Policies

1.5 Financial Instruments (continued)

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Accounting Policies

1.5 Financial Instruments (continued)

Impairment and uncollectibility of financial assets

The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Accounting Policies

1.5 Financial Instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

Accounting Policies

1.5 Financial Instruments (continued)

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.6 Cash and Cash Equivalents

Cash includes cash on hand (including petty cash), short-term investments an cash in the bank account. Cash equivalents are short-term highly liquid investments, readily convertable into known amounts of cash that are held with a registered banking institutions, with maturity of three months or less, subject to an insignificant risk of change in value. For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdtafts. The municipality categorises cash and cash equivalents as financial assets carried at amortised costs.

Bank overdrafts are recorded based on the facility utilised. Finance costs on bank overdrafts are expenses as when they are incurred. Amounts owing in respect of bank overdrafts are recognised as financial liabilities carried at amortised cost.

1.7 Property, Plant and Equipment

Property, Plant and Equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, Plant and Equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

1.7 Property, Plant and Equipment (continued)

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, Plant and Equipment is carried at cost less accumulated depreciation and any impairment losses except for land which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Property, Plant and Equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset’s carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset’s carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Buildings	Straight line	25-30
Improvements	Straight line	25-30
Specialised Plant and Machinery	Straight line	10-15
Other Plant and Machinery	Straight line	2-15
Office Equipment	Straight line	3-15
Furniture and Fittings	Straight line	5-15

Accounting Policies

1.7 Property, Plant and Equipment (continued)

Motor Vehicles - Specialised	Straight line	10-15
Motor Vehicles - Other	Straight line	5-15
Roads and Pavings	Straight line	10-100
Pedestrian Malls	Straight line	15-30
Electricity	Straight line	10-100
Community Facilities	Straight line	15-30
Recreation Facilities	Straight line	15-30

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 8).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 8).

1.8 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which a municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

1.8 Site restoration and dismantling cost (continued)

If the related asset is measured using the cost model:

(a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
(b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
(c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

If the related asset is measured using the revaluation model:

(a) changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
- a decrease in the liability (subject to (b)) is credited to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit
- an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

(b) in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and
(c) a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.

1.9 Intangible Assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management’s best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

1.9 Intangible Assets (continued)

Intangible Assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Computer software, other	Straight line	5

1.10 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Accounting Policies

1.10 Leases (continued)

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.11 Construction contracts and receivables

Construction contract is a contract, or a similar binding arrangement, specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Contractor is an entity that performs construction work pursuant to a construction contract.

Cost plus or cost based contract is a construction contract in which the contractor is reimbursed for allowable or otherwise defined costs and, in the case of a commercially-based contract, an additional percentage of these costs or a fixed fee, if any.

Fixed price contract is a construction contract in which the contractor agrees to a fixed contract price, or a fixed rate per unit of output, which in some cases is subject to cost escalation clauses.

A contractor is an entity that enters into a contract to build structures, construct facilities, produce goods, or render services to the specifications of another entity either itself or through the use of sub-contractors. The term “contractor” thus includes a general or prime contractor, a subcontractor to a general contractor, or a construction manager.

The entity assesses the terms and conditions of each contract concluded with customers to establish whether the contract is a construction contract or not. In assessing whether the contract is a construction contract, an entity considers whether it is a contractor.

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by .

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected deficit is recognised as an expense immediately.

1.12 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset’s future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Accounting Policies

1.12 Impairment of cash-generating assets (continued)

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm’s length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:
- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use the municipality:
- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

1.12 Impairment of cash-generating assets (continued)

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:
- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:
- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Reversal of impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

1.12 Impairment of cash-generating assets (continued)

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:
- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.13 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:
- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Accounting Policies

1.13 Impairment of non-cash-generating assets (continued)

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.14 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or

Accounting Policies

1.14 Employee benefits (continued)
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:
- an entity’s decision to terminate an employee’s employment before the normal retirement date; or
- an employee’s decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity’s actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:
- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Accounting Policies

1.14 Employee benefits (continued)

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

1.14 Employee benefits (continued)

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measures the resulting asset at the lower of:
- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The entity determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:
- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

Accounting Policies

1.14 Employee benefits (continued)

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:
- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:
- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Accounting Policies

1.14 Employee benefits (continued)

Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:
- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:
- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

1.15 Provisions and contingencies

Provisions are recognised when:
- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

Accounting Policies

1.15 Provisions and contingencies (continued)

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus (deficit).

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:
- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of an activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 41.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:
- financial difficulty of the debtor;

1.15 Provisions and contingencies (continued)

- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.16 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality’s right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.17 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Accounting Policies

1.17 Revenue from non-exchange transactions (continued)

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Donations and Contributions

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

1.18 Investment Income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.19 Borrowing Costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.20 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:
- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.21 Unauthorised Expenditure

Unauthorised expenditure means:
- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

1.21 Unauthorised Expenditure (continued)

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.22 Fruitless and Wasteful Expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.23 Irregular Expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.24 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

1.24 Budget information (continued)

The approved budget is prepared on an accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 01-Jul-18 to 30-Jun-19.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.25 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity’s financial statements to understand the effect of related party transactions on its annual financial statements.

1.26 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

Accounting Policies

1.27 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after July 1, 2019 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 34: Separate Financial Statements	April 1, 2020	Unlikely there will be a material impact
• GRAP 35: Consolidated Financial Statements	April 1, 2020	Unlikely there will be a material impact
• GRAP 36: Investments in Associates and Joint Ventures	April 1, 2020	Unlikely there will be a material impact
• GRAP 37: Joint Arrangements	April 1, 2020	Unlikely there will be a material impact
• GRAP 38: Disclosure of Interests in Other Entities	April 1, 2020	Unlikely there will be a material impact
• Guideline: Accounting for Arrangements Undertaken i.t.o the National Housing Programme	April 1, 2019	Unlikely there will be a material impact
• GRAP 110 (as amended 2016): Living and Non-living Resources	April 1, 2020	Unlikely there will be a material impact
• GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	April 1, 2019	Unlikely there will be a material impact
• GRAP 7 (as revised 2010): Investments in Associates	April 1, 2019	Unlikely there will be a material impact
• GRAP 8 (as revised 2010): Interests in Joint Ventures	April 1, 2019	Unlikely there will be a material impact
• GRAP 18 (as amended 2016): Segment Reporting	April 1, 2019	Unlikely there will be a material impact
• GRAP 20: Related parties	April 1, 2019	Unlikely there will be a material impact
• GRAP 32: Service Concession Arrangements: Grantor	April 1, 2019	Unlikely there will be a material impact
• GRAP 105: Transfers of functions between entities under common control	April 1, 2019	Unlikely there will be a material impact
• GRAP 106 (as amended 2016): Transfers of functions between entities not under common control	April 1, 2019	Unlikely there will be a material impact
• GRAP 107: Mergers	April 1, 2019	Unlikely there will be a material impact
• GRAP 108: Statutory Receivables	April 1, 2019	Unlikely there will be a material impact
• GRAP 109: Accounting by Principals and Agents	April 1, 2019	Unlikely there will be a material impact
• IGRAP 11: Consolidation – Special purpose entities	April 1, 2019	Unlikely there will be a material impact
• IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	April 1, 2019	Unlikely there will be a material impact
• IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	April 1, 2019	Unlikely there will be a material impact
• IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land	April 1, 2019	Unlikely there will be a material impact

3. Cash and Cash Equivalents

Cash and cash equivalents consist of:

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

3. Cash and Cash Equivalents (continued)

Bank balances	688,192	-
Short-Term Deposits	3,043,648	(8,318,728)
	3,731,840	**(8,318,728)**

Current Assets	3,736,418	698,773
Current Liabilities	(4,578)	(9,017,501)
	3,731,840	**(8,318,728)**

The municipality had the following bank accounts

Account number / description	**Bank Statement Balances**			**Cash Book Balances**		
	June 30, 2019	**June 30, 2018**	**June 30, 2017**	**June 30, 2019**	**June 30, 2018**	**June 30, 2017**
Standard Bank - Primary Account: 302854187	4,167,083	1,059,766	(93,406)	4,167,083	1,059,766	(93,406)
ABSA - Primary Account: 4054385292	1,630,374	1,333,072	879,248	1,630,374	1,333,072	879,248
ABSA - Call Account: 92888820487	-	289,453	278,765	-	289,453	278,765
ABSA - Fixed Deposit: 2078093801	342,226	-	-	342,226	-	-
ABSA - Fixed Deposit: 2078344125	2,385	-	-	2,385	-	-
FNB - Call Deposit: 62247117709	521	126,611	119,324	521	126,611	119,324
ABSA - Fixed Deposits: 2073969801	37,169	36,797	34,628	37,169	36,797	34,628
ABSA - Depositor Plus: 9297200038	2,495	2,525	261,810	2,495	2,525	261,810
Standard Bank - Money Market Call Account - 548529973003	-	86,235	81,467	86,235	86,235	81,467
Nedbank - Call Deposit: 7881112840/000005	1,648	151,561	1,093,663	1,648	151,561	1,093,663
Nedbank - Call Deposit: 7881112840/000013	10,521	-	-	10,521	-	-
Standard Bank - Call Account: 548529973002	5,707	5,591	5,465	5,707	5,591	5,465
Standard Bank - Money Market Call Account: 548529973003	291	-	-	291	-	-
Standard Bank - Fixed Deposit: 5088662043-018	115,400	-	465,040	115,400	-	465,040
Standard Bank - Fixed Deposit: 5088662043-019	693	-	-	693	-	-
Total	**6,316,513**	**3,091,611**	**3,126,004**	**6,402,748**	**3,091,611**	**3,126,004**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

4. Inventories

Consumable Stores	1,640,283	1,461,192
Water Inventory	26,293	26,942
	1,666,576	1,488,134
Inventories (write-downs)	-	(4,724)
	1,666,576	**1,483,410**

Inventory pledged as security

There was no inventory pledged as security.

5. Receivables from exchange transactions

Gross Balances		
Electricity	25,875,975	5,761,589
Water	53,563,339	55,080,499
Sewerage	8,877,425	7,178,140
Refuse	6,110,013	4,818,544
Sundry debtors	66,580,702	65,686,133
	161,007,454	**138,524,905**
Less: Allowance for Impairment		
Electricity	(1,628,707)	(1,628,707)
Water	(17,832,975)	(17,832,975)
Sewerage	(2,925,462)	(2,925,462)
Refuse	(2,154,138)	(2,154,138)
Sundry debtors	(29,515,666)	(29,515,666)
	(54,056,948)	**(54,056,948)**
Net Balance		
Electricity	24,247,268	4,132,882
Water	35,730,364	37,247,524
Sewerage	5,951,963	4,252,678
Refuse	3,955,875	2,664,406
Sundry debtors	37,065,036	36,170,467
	106,950,506	**84,467,957**
Electricity		
Current (0 -30 days)	176,102	88,461
31 - 60 days	145,276	126,253
61 - 90 days	52,652	133,882
91 - 120 days	88,250	211,998
121 - 365 days	791,173	1,205,940
> 365 days	5,188,663	3,988,153
Undefined Difference	**17,805,152**	**(1,621,805)**
	24,247,268	**4,132,882**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

5. Receivables from exchange transactions (continued)

Water		
Current (0 -30 days)	1,599,392	1,831,581
31 - 60 days	1,602,226	1,822,064
61 - 90 days	1,413,440	1,740,150
91 - 120 days	1,536,370	1,801,274
121 - 365 days	12,038,889	12,929,995
> 365 days	29,789,201	29,371,613
Undefined Difference	**(12,249,154)**	**(12,249,153)**
	35,730,364	**37,247,524**

Sewerage		
Current (0 -30 days)	280,448	247,960
31 - 60 days	269,140	231,646
61 - 90 days	247,805	226,555
91 - 120 days	245,918	221,593
121 - 365 days	1,860,624	1,718,099
> 365 days	5,751,230	4,310,026
Undefined Difference	**(2,703,202)**	**(2,703,201)**
	5,951,963	**4,252,678**

Refuse		
Current (0 -30 days)	167,027	145,739
31 - 60 days	159,579	143,154
61 - 90 days	155,032	140,083
91 - 120 days	153,821	136,917
121 - 365 days	1,168,120	1,079,145
> 365 days	4,232,771	3,099,843
Undefined Difference	**(2,080,475)**	**(2,080,475)**
	3,955,875	**2,664,406**

Sundry Debtors		
Current (0 -30 days)	374,877	194,513
31 - 60 days	282,459	153,536
61 - 90 days	55,464	91,545
91 - 120 days	226,408	106,777
121 - 365 days	605,926	772,342
> 365 days	61,763,217	61,095,062
Undefined Difference	**(26,243,315)**	**(26,243,308)**
	37,065,036	**36,170,467**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(54,056,948)	(89,980,355)
Undefined Difference	**-**	**35,923,407**
	(54,056,948)	**(54,056,948)**

6. Receivables from Non-Exchange Transactions

Consumer Debtors - Rates	67,713,871	82,109,355
Allowance for Impairment	(31,051,329)	(31,051,329)
	36,662,542	**51,058,026**

Figures in Rand	2019	2018

7. VAT receivable

VAT	30,139,575	43,922,399

8. Property, Plant and Equipment

	2019			2018		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	7,169,290	-	7,169,290	7,169,290	-	7,169,290
Furniture and Fixtures	4,115,634	(1,937,897)	2,177,737	3,018,433	(2,316,997)	701,436
Motor Vehicles	16,363,159	(6,143,769)	10,219,390	2,286,498	(1,720,394)	566,104
Computer Equipment	1,522,786	(1,228,344)	294,442	3,559,515	(2,492,375)	1,067,140
Infrastructure	2,571,973,841	(1,608,698,384)	963,275,457	1,665,077,831	(220,112,079)	1,444,965,752
Community	77,504,694	(40,404,456)	37,100,238	139,275,425	(38,495,821)	100,779,604
Other property, plant and equipment	(407,250)	(1,810,880)	(2,218,130)	3,268,679	(2,257,983)	1,010,696
Work in Progress - Infrastructure	253,108,562	-	253,108,562	253,108,562	-	253,108,562
Finance Lease Assets	48,127,901	(32,718,464)	15,409,437	48,127,901	(22,917,158)	25,210,743
Total	**2,979,478,617**	**(1,692,942,194)**	**1,286,536,423**	**2,124,892,134**	**(290,312,807)**	**1,834,579,327**

8. Property, Plant and Equipment (continued)

Reconciliation of Property, Plant and Equipment - 30 June 2019

	Opening balance	Difference	Additions	Transfers received	Depreciation	Total
Land	7,169,290	**-**	-	-	-	7,169,290
Buildings	23,469,469	**-**	-	-	(1,128,706)	22,340,763
Furniture and fixtures	701,436	**2,962,141**	170,899	(439,377)	(1,217,362)	2,177,737
Motor vehicles	566,104	**10,665,105**	-	(1,011,819)	-	10,219,390
IT equipment	1,067,140	**(304,960)**	359,582	(780,813)	(46,507)	294,442
Computer software	-	**449,662**	-	-	(449,662)	-
Leasehold improvements	-	**49,199**	-	-	(49,199)	-
Infrastructure	1,444,965,752	**(456,208,643)**	-	-	(25,481,652)	963,275,457
Community	100,779,604	**(61,816,889)**	-	-	(1,862,477)	37,100,238
Other property, plant and equipment	-	**1,841,131**	-	(1,841,131)	-	-
Other property, plant and equipment	1,010,696	**(2,902,466)**	60,200	-	(386,560)	(2,218,130)
Work in Progress - Infrastructure	253,108,562	**-**	-	-	-	253,108,562
Finance Lease Asset	25,210,743	**(10,000)**	-	-	(9,791,306)	15,409,437
	1,858,048,796	**(505,275,720)**	**590,681**	**(4,073,140)**	**(40,413,431)**	**1,308,877,186**

Notes to the Annual Financial Statements

Figures in Rand

8. Property, Plant and Equipment (continued)

Reconciliation of Property, Plant and Equipment - 30 June 2018

	Opening balance	Difference	Additions	Depreciation	Total
Land	7,169,289	**1**	-	-	7,169,290
Plant and machinery	-	**314,553**	143,590	(458,143)	-
Furniture and fixtures	2,463,550	**(1,901,502)**	497,272	(357,884)	701,436
Motor vehicles	1,014,844	**9,403**	-	(458,143)	566,104
IT equipment	1,723,637	**(519,428)**	284,284	(421,353)	1,067,140
Infrastructure	1,182,982,229	**(852,809,133)**	-	1,114,792,656	1,444,965,752
Community	40,825,191	**58,091,936**	-	1,862,477	100,779,604
Other property, plant and equipment	1,980,661	**(1,327,849)**	-	357,884	1,010,696
Work in Progress	-	**253,108,562**	-	-	253,108,562
Finance Lease Asset	34,064,720	**(17,717,958)**	4	8,863,977	25,210,743
	1,272,224,121	**(562,751,415)**	**925,150**	**1,124,181,471**	**1,834,579,327**

Assets subject to finance lease (Net carrying amount)

Finance Lease Assets	15,409,437	25,210,743

Property, plant and equipment in the process of being constructed or developed

Cumulative expenditure recognised in the carrying value of property, plant and equipment

Infrastructure	-	85,058,166
Community	-	115,737,699
Water network	-	122,972,086
	-	**323,767,951**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

8. Property, Plant and Equipment (continued)

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Buildings	562,137	299,880
Computer Equipment	-	214,807
Road Signs and General Repairs	-	26,519
Electrical Maintenance	-	128,500
* Vehicle Maintenance	603,887	691,786
* Water and Brehole Maintenance	-	496,712
	1,166,024	**1,858,204**

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

9. Intangible Assets

	2019			2018		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software, other	1,653,304	(672,475)	980,829	989,558	(723,652)	265,906

Reconciliation of intangible assets - 2019

	Opening balance	Difference	**Additions**	**Amortisation**	**Total**
Computer Software	265,906	**(818,810)**	810,081	723,652	980,829

Reconciliation of intangible assets - 2018

	Opening balance	Difference	**Amortisation**	**Total**
Computer Software	265,906	**86,429**	(86,429)	265,906

10. Other financial liabilities

At amortised cost		
Development Bank of South Africa - Short Term Portion	196,450	234,052
Development Bank of South Africa - Long Term Portion	1,002,457	1,055,891
	1,198,907	**1,289,943**
Total other financial liabilities	**1,198,907**	**1,289,943**
Non-current liabilities		
At amortised cost	1,002,457	1,055,891
Current liabilities		
At amortised cost	196,450	234,052

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

10. Other financial liabilities (continued)

Other Financial Liabilities Amortisation - 2019

Repayment Period	Capital	Interest	Total
- Due within a year	194,977	(108,160)	86,817
- Due between 1 to 5 years	974,887	(401,068)	573,819
- Due more than 5 years	722,371	(93,506)	628,865
	1,892,235	**(602,734)**	**1,289,501**

Other Financial Liabilities Amortisation - 2018

Repayment Period	Capital	Interest	Total
- Due within a year	194,977	(108,160)	86,817
- Due between 1 to 5 years	974,887	(401,068)	573,819
- Due more than 5 years	722,371	(93,506)	628,865
	1,892,235	**(602,734)**	**1,289,501**

11. Finance Lease Obligation

	2019	2018
Minimum lease payments due		
- within one year	-	3,198,261

The Municipality purchased motor vehicles and equipment under finance leases.

The lease term was 3 years and the final instalment was paid on the 22nd of October 2018.

12. Payables from Exchange Transactions

	2019	2018
Trade Payables	37,633,495	18,106,780
Debtors with credit balances	9,561,018	9,561,018
Accrued Expense	8,980,358	1,740,191
Bonus s57 Managers	5,546,075	-
Retention Fees	17,732,001	20,274,529
Kumba Graduate Mine	185,202	185,202
	79,638,149	**49,867,720**

13. Consumer Deposits

	2019	2018
Deposits Received for Yard Connection	10,635	10,635

14. Employee benefit obligations

Defined benefit plan

The defined benefit plan consists of the Consolidated Retirement Fund, governed by the Pension Fund Act of 1956.

The actuarial valuation determined that the retirement plan was in a sound financial position.

The plan is a final salary pension plan.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

14. Employee benefit obligations (continued)

The amounts recognised in the statement of financial position are as follows:

Carrying value		
Present value of the defined benefit obligation	(2,079,668)	(1,898,636)
Leave Provision	-	(3,607,937)
Bonus Section 57	(972,340)	(130,411)
Undefined Difference	**(2,140,431)**	**-**
	(5,192,439)	**(5,636,984)**

Non-current liabilities	(1,701,119)	(1,660,628)
Current liabilities	(3,491,320)	(3,976,356)
	(5,192,439)	**(5,636,984)**

The fair value of plan assets includes:

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	1,898,636	1,569,192
Net expense recognised in the statement of financial performance	181,032	329,444
	2,079,668	**1,898,636**

Net expense recognised in the statement of financial performance

Current service cost	237,771	230,095
Interest cost	150,940	127,043
Actuarial (gains) losses	30,329	102,736
Expected Vesting Benefit	(238,008)	(130,430)
	181,032	**329,444**

Calculation of actuarial gains and losses

Actuarial (gains) losses – Obligation	30,329	102,736

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	8.02 %	8.47 %
Expected increase in salaries	5.34 %	6.09 %
Net effective discount rate	2.54 %	2.24 %
CPI	4.34 %	5.09 %

The municipality offers employees Long Service Awards for every five years of service completed, from ten years of services to forty five years of service. Total long service award liability is the present value of the total long service award expected to become payable under the employer's current arrangements and bases on assumptions made. This may be regarded as the amount of money that should be set aside present day terms to cover all expected long service award payments for current year.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

15. Unspent Conditional Grants and Receipts

Unspent conditional grants and receipts comprises of:

	2019	2018
Unspent conditional grants and receipts		
Financial Management Grant (FMG)	36,711	121,174
Municipal Infrastructure Grant (MIG	6,010,695	6,022,355
Unspent grants 16	355,487	-
	6,402,893	**6,143,529**

Movement during the year

	2019	2018
Additions during the year	122,944,000	110,843,000
Income recognition during the year	(116,541,107)	(104,699,471)
	6,402,893	**6,143,529**

16. Provisions

Reconciliation of provisions - 2019

	Opening Balance	Difference	Total
Environmental rehabilitation	3,952,365	**(1,968,050)**	1,984,315

Reconciliation of provisions - 2018

	Opening Balance	Additions	Total
Environmental rehabilitation	3,923,650	28,715	3,952,365

17. Revenue

	2019	2018
Service Charges	11,636,895	20,630,944
Miscellaneous Income	98,162	132,176
Rental of Facilities and Equipment	30,052	60,011
Interest on Arrear Accounts	12,367,126	12,594,897
Sundry Income	253,808	511,676
Interest Received on Investment	1,517,713	1,585,333
Property Rates	19,803,708	26,651,751
Government Grants and Subsidies	247,697,027	220,868,441
Public contributions and donations	1,252,628	1,082,487
	294,657,119	**284,117,716**

The amount included in revenue arising from exchanges of goods or services are as follows:

	2019	2018
Service Charges	11,636,895	20,630,944
Miscellaneous Income	98,162	132,176
Rental of Facilities and Equipment	30,052	60,011
Interest on Arrear Accounts	12,367,126	12,594,897
Sundry Income	253,808	511,676
Interest Received on Investment	1,517,713	1,585,333
	25,903,756	**35,515,037**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

17. Revenue (continued)

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property Rates	19,803,708	26,651,751
Transfer revenue		
Government Grants and Subsidies	247,697,027	220,868,441
Public contributions and donations	1,252,628	1,082,487
	268,753,363	**248,602,679**

18. Service Charges

Sale of Electricity	4,796,863	7,712,303
Sale of Water	3,380,514	9,650,662
Refue Removal	1,232,708	1,148,988
Sewerage and Sanitation Charges	2,226,810	2,118,991
	11,636,895	**20,630,944**

19. Miscellaneous Income

Miscellaneous Income	98,162	132,176

20. Rental of facilities and equipment

Premises		
Premises	24,566	26,603
Facilities and Equipment		
Rental of Facilities	5,486	33,408
	30,052	**60,011**

21. Interest on arrear accounts

Interest - Receivables	12,367,126	12,594,897

22. Other Income

Photocopies	5,359	7,089
Admin Fees	684	21,140
Telephone Cost Reclaimed	41,582	86,676
Tender Documents	54,020	243,651
Water Connection Fees	24,486	76,308
Building Plans	61,650	65,126
Cemetry Fees	217	167
Insurance Claims Fees	26,820	3,158
LGSETA Claims	15,981	-
Cellphone Income	23,009	8,361
	253,808	**511,676**

23. Interest Received on Investments

Interest revenue		
Bank	1,517,713	1,585,333

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

24. Property Rates

Rates received

Residential	6,487,484	11,112,212
Business	2,538,109	8,118,828
State	8,789,516	4,116,950
Agricultural	29,018,363	29,652,063
Less: Rebates	(27,029,764)	(26,348,302)
	19,803,708	**26,651,751**

Valuations

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2014.

Rates are levied on an annual basis with the final date for payment being Sunday, June 30, 2019. Interest is levied on overdue accounts at prime plus 1% per annum.

Figures in Rand	2019	2018

25. Government Grants and Subsidies

Operating grants		
Equitable Share	127,117,000	116,210,000
Financial Management Grant	2,299,463	2,023,826
Library Grant	1,490,000	1,638,000
	130,906,463	**119,871,826**
Capital grants		
Provincial Department of Housing Grant	3,788,877	(41,030)
Municipal Infrastructure Grant	54,054,687	55,037,645
Expanded Public Works Programme	1,447,000	1,000,000
Water Service Infrastructure	57,500,000	45,000,000
	116,790,564	**100,996,615**
	247,697,027	**220,868,441**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Financial Management Grant

Balance unspent at beginning of year	121,174	-
Current-year receipts	2,215,000	2,145,000
Conditions met - transferred to revenue	(2,299,463)	(2,023,826)
	36,711	**121,174**

Library Grant

Current-year receipts	1,490,000	1,638,000
Conditions met - transferred to revenue	(1,490,000)	(1,638,000)
	-	-

Municipal Infrastructure Grant

Balance unspent at beginning of year	6,022,355	-
Current-year receipts	54,199,000	61,060,000
Conditions met - transferred to revenue	(54,210,660)	(55,037,645)
	6,010,695	**6,022,355**

South 32 Grant

Expanded Public Works Programme

Current-year receipts	1,447,000	1,000,000
Conditions met - transferred to revenue	(1,447,000)	(1,000,000)
	-	-

Water Services Infrastructure

Current-year receipts	57,500,000	45,000,000
Conditions met - transferred to revenue	(57,500,000)	(45,000,000)
	-	-

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

26. Public contributions and donations

Kumba Graduate Internship	1,252,628	1,082,487

The municipality received funds from Sishen Iron Ore - Kumba for the eradication of poverty and improving the unemployment rate in South Africa. Based on the agreement the municipality receives a donation to pay stipends for interns.

27. Employee related costs

Basic	37,569,484	36,315,241
Bonus	7,830,374	5,213,215
Medical Aid	4,031,247	3,762,252
UIF	324,662	317,522
WCA	552,910	-
SDL	461,082	471,031
Leave Pay	11,652	4,023,388
Pension Fund	6,163,515	5,873,303
Travel Allowances	1,674,898	2,750,782
Overtime	1,669,147	770,592
Long Service Costs	181,032	329,444
Transport Alllowances (bus coupons)	5,819,958	5,371,529
Housing Benefit Allowances	2,178,348	2,555,245
Cellphone Allowance	528,550	544,121
Industrial Council	20,633	40,066
	69,017,492	**68,337,731**

Remuneration of municipal manager

Annual Remuneration	707,491	510,383
Subsistence Allowance	42,000	31,500
Public Office Allowance	36,000	27,000
Transport Allowances	396,000	304,000
Transport Claim Received	50,785	-
Bonus	86,856	-
Travel Claim Received	50,785	-
Housing Allowance	104,856	74,630
	1,474,773	**947,513**

Remuneration of Chief Finance Officer

Annual Remuneration	483,211	459,645
Public Office Allowance	12,000	60,000
Acting Allowance	146,080	-
Bonus	39,981	-
Cellphone Allowance	11,400	14,400
Transport Allowance	145,978	197,000
Travel Claim Received	3,367	31,362
Transport Claim Received	3,367	-
Housing Allowance	40,884	170,302
Back Pay	-	25,927
	886,268	**958,636**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

27. Employee related costs (continued)

Remuneration of Corporate Service Manager

Annual Remuneration	453,616	429,816
Public Office Allowance	85,524	81,310
Backpay	23,800	-
Cellphone Allowance	14,400	14,400
Transport Allowance	222,000	198,500
Transport Claim Received	82,251	-
Housing Allowance	196,015	184,004
Travel Claim Received	60,366	-
Acting Allowance	-	117,773
	1,137,972	**1,025,803**

Remuneration of Community Service Manager

Annual Remuneration	455,064	282,000
Acting Allowance	293,550	-
Public Officer Allowance	-	37,353
Bonus	38,130	-
Cellphone Allowance	12,300	8,400
Transport Allowance	-	79,897
Transport Claim Received	77,776	-
Travel Claim Allowance	62,660	-
Housing Allowance	11,904	110,000
Backpay	24,907	-
	976,291	**517,650**

Remuneration for Technical Services Manager

Annual Remuneration	524,639	306,249
Acting Alowance	67,008	-
Public Office Allowance	-	1,200
Cellphone Allowance	10,800	8,400
Transport Allowance	162,000	112,000
Travel Claim Received	70,070	69,411
Transport Claim Received	306,457	-
Housing Allowance	10,912	100,282
Backpay	2,876	-
Bonus	43,960	-
	1,198,722	**597,542**

Remuneration for Local Economic Development Manager

Annual Remuneration	404,181	441,214
Public Office Allowance	-	79,517
Cellphone Allowance	8,100	14,400
Transport Allowance	72,575	230,000
Travel Claim Received	28,626	-
Housing Allowance	8,524	160,400
Transport Claim Received	28,626	-
Back Pay	3,920	22,373
Bonus	14,111	-
	568,663	**947,904**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

27. Employee related costs (continued)

Director of Planning and Development

Annual Remuneration	461,016	-
Backpay	23,800	-
Bonus	36,000	-
Transport Allowance	236,004	-
Transport Claim Received	40,894	-
Travel Claim Received	40,894	-
Public Office Allowance	87,736	-
Cellphone Allowance	14,400	-
Housing	172,400	-
	1,113,144	**-**

28. Remuneration of Councillors

Ordinary Councillors	5,630,807	6,106,757
Travel Allowance	3,140,467	2,393,127
Pension Fund	994,135	948,583
Data and Cellphone Allowance	1,287,600	939,600
Public Office Allowance	501,679	644,940
	11,554,688	**11,033,007**

29. Depreciation and Amortisation

Property, Plant and Equipment	-	47,597,968

30. Finance Costs

Current borrowings	201,187	696,927
Other interest paid	-	28,715
	201,187	**725,642**

31. Lease rentals on operating lease

Motor vehicles		
Contractual amounts	3,412,468	4,680,894

32. Debt impairment

Debt Impairment	-	85,108,279

33. Bulk purchases

Electricity	5,577,219	7,007,712
Water	6,289,635	8,024,842
	11,866,854	**15,032,554**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

34. Contracted services

Presented previously		
Legal Fees	-	553,186
Private Security	2,208,920	2,081,129
Cunsultancy Fees	20,913,712	12,456,375
Valuation Roll	967,060	603,655

35. Grants and subsidies paid

Other subsidies		
Dry Sanitation VIP	13,143,038	34,902,779

36. General Expenses

Advertisement	349,739	311,857
Auditors Remuneration	3,302,909	3,216,409
Bank Charges	437,681	193,078
Cleaning	164,680	338,435
Computer Expenses	17,228	-
Consulting and professional fees	1,065,515	-
Stores and Materials	4,507,764	2,031,114
Entertainment	302,692	263,938
Insurance	566,443	107,706
Community Development and Training	212,621	286,358
Conferences and Seminars	153,813	192,998
IT Expenses	207,424	1,215
Marketing	826,755	118,557
Levies	-	126,572
Magazines, Books and Periodicals	220,564	229,508
Motor Vehicle Expenses	5,542,769	3,036
Fuel and Oil	4,947,709	4,823,268
Postage and Courier	35,163	11,952
Printing and Stationery	324,541	469,584
Protective Clothing	-	12,650
Repairs and Maintenance	762,665	1,858,204
Cemetery Cost	1,629,330	1,835,504
Name Branding	702,539	1,440,530
Subscriptions	688,649	74,773
Telephone and Fax	1,035,118	1,279,030
Training	767,841	1,026,844
Accommodation and travel - local	1,112,414	-
Office Service Charges	3,311,580	4,352,074
Pump Operating Cost	2,027,400	2,941,675
Ward Committee Expenses	518,526	686,455
Community Participation and HIV	344,741	393,307
Name Branding	96,499	9,525
Nashua Lease Payment	286,544	4,259,456
	36,469,856	**32,895,612**

37. Auditors' Remuneration

Audit Fees	3,302,909	3,216,409

38. Cash generated from operations

	2019	2018
Deficit	-	(31,891,095)
Adjustments for:		
Depreciation and amortisation	-	47,597,968
Interest income	-	(1,585,333)
Finance costs	(201,187)	735,752
Debt impairment	-	85,108,279
Movements in retirement benefit assets and liabilities	(444,545)	84,153
Movements in provisions	(1,968,050)	28,715
Opening Balance Adjustments	-	976,096
Effect of PPE Errors	73,079,258	59,458,795
Movement in leave provision	-	3,606,608
Changes in working capital:		
Inventories	(183,166)	(182,405)
Receivables from Exchange Transactions	14,395,484	(39,730,070)
Receivables from Non-exchange transactions	(22,482,549)	(38,210,209)
Payables from Exchange Transactions	29,770,429	20,566,283
VAT	13,782,825	(22,276,276)
Unspent Conditional Grants and Receipts	259,364	6,143,529
Consumer Deposits	-	(57,944)
	106,007,863	**90,372,846**

39. Financial Instruments Disclosure

Categories of financial instruments

2019

2018

Financial Assets

	At Fair Value	At Amortised Cost	Total
Receivables from Non-Exchange Transactions	-	51,058,026	51,058,026
Receivables from Exchange Transactions	-	84,467,957	84,467,957
VAT Receivables	44,721,082	-	44,721,082
Cash and Cash Equivalents	698,773	-	698,773
	45,419,855	**135,525,983**	**180,945,838**

Financial Liabilities

	At Fair Value	At Amortised Cost	Total
Payables from Exchange Transactions	-	72,840,839	72,840,839
Consumer Deposits	10,635	-	10,635
Bank Overdraft	-	9,017,501	9,017,501
	10,635	**81,858,340**	**81,868,975**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

40. Commitments

Authorised Capital Expenditure

Already contracted for but not provided for		
• Ho Tla Ba Thata Trading	-	1,432,522
• Ditiro Tsa Ka Trading 6	6,827,464	22,259,097
• Tswela Tsweu consulting engineers	-	2,657,323
• BMH Engineers	5,960,504	7,794,941
• Sedibeng water	6,443,626	-
• Lotshephe Tswla Tsweu	30,165	-
• Nashua	39,127	-
	19,300,886	**34,143,883**

Total Capital Commitments		
Already contracted for but not provided for	19,300,886	34,143,883

Authorised Operational Expenditure

Already contracted for but not provided for		
• General Expenditure -Nashua	-	1,416,167
• Contracted Services	-	4,596,363
• Bulk Purchases	-	15,854,373
	-	**21,866,903**

Outstanding Orders		
• Capital	-	104,000
• Operational	-	627,413
	-	**731,413**

Total operational commitments		
Already contracted for but not provided for	-	21,866,903
Not yet contracted for and authorised by accounting officer	-	731,413
	-	**22,598,316**

41. Contingencies

Ramzo Mining and Construction vs Joe Morolong Local Municipality
An application was launched by Ramzo Mining and Construction (RMC) to complel the Municipality to utilise the services of in terms of a tender awarded to RMC. The application was withdrawn, however, there is a possibility that the contract may have to be cancelled and this may result in outlay of resources . In the event that the agreement is cancelled, there is a possibility that the Municipality may incur costs in order to settle the matter. The exact cost is not know at this stage.

Modise Jarvis vs Joe Morolong Local Municipality
Mr Jarvis launched a review appplication against the Muncipality against a decision regarding conducting new interviews for the position of Chief Financial Officer. The matter is pending at the Northern Cape High Court. The prospects on the matter are good and tt is unlikely however that the Municipality will incur any costs in settling the matter.

Ho Tla Ba Thata vs Joe Morolong Local Municipality

A Business Rescue Practitioner has filed an application in the Cape Town High Court for the provisional liquidation of Ho Tla Ba Thata Closed Corporation. The Municipality seeks to protect its assets that were acquired as a result in terms of the tender awarded to the Closed Corporation and has undertaken to pay R2,000,000.00.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

42. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

43. Events after the reporting date

Disclose for each material category of non-adjusting events after the reporting date:
- nature of the event.
- estimation of its financial effect or a statement that such an estimation cannot be made.

44. Unauthorised expenditure

	2019	2018
Opening Balance	494,513,096	439,449,826
Unathorised Expenditure	4,571,998	55,063,270
	499,085,094	**494,513,096**

45. Fruitless and wasteful expenditure

	2019	2018
Opening Balance	4,042,634	3,550,386
Fruitless and wasteful expenditure	196,704	492,248
	4,239,338	**4,042,634**

46. Irregular expenditure

	2019	2018
Opening balance	125,949,361	119,133,739
Add: Irregular Expenditure - current year	2,557,315	6,815,622
	128,506,676	**125,949,361**

47. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

	2019	2018
Current year subscription / fee	3,302,909	3,221,377
Amount paid - current year	(3,302,909)	(3,221,377)
	-	-

PAYE and UIF

	2019	2018
Current year subscription / fee	8,342,466	7,921,567
Amount paid - current year	(8,342,466)	(7,921,567)
	-	-

Pension and Medical Aid Deductions

	2019	2018
Current year subscription / fee	-	5,064,286
Amount paid - current year	-	(5,064,286)
	-	-

Figures in Rand	2019	2018

47. Additional disclosure in terms of Municipal Finance Management Act (continued)

VAT

VAT Input	30,139,575	43,922,399

VAT output payables and VAT input receivables are shown in note 7.

All VAT returns have been submitted by the due date throughout the year.

48. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

Buses and gym equipment were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

49. Budget differences

Material differences between budget and actual amounts

The excess of actual expenditure over the final budget of 15% (25% over approved budget) for the Health function was due to expenditures above the level approved by legislative action in response to the earthquake. There were no other material differences between the final budget and the actual amounts.

Changes from the approved budget to the final budget

The changes between the approved and final budget are a consequence of reallocations within the approved budget parameters. For details on these changes please refer to pages to in the annual report.

The changes between the approved and final budget are a consequence of changes in the overall budget parameters. For details on these changes please refer to pages to in the annual report

50. Other revenue

Other income - (rollup)	253,808	511,676

51. Related parties

Salaries to senior management and councillors were identified as related parties in accordance with GRAP Standards.

Senior Management and Councillors Remuneration

Senior Management	Salary	Other Benefits	Total
Mr. Tlhoaele Tebogo - Municipal Manager	707,491	767,283	1,474,774
Mr. Phiri Kemothibile Vincent - Acting Director, Planning and Development	461,016	652,129	1,113,145
Mr. Malola Mothosi Given - Acting Technical Director	524,639	674,083	1,198,722
Mrs. Motlhaping Boipelo Dorcas - Acting CFO	157,959	-	157,959
Mrs. Bele Masego Valentine	404,616	323,694	728,310
Mr. Gopetse Job Tatolo	453,616	684,356	1,137,972
Mrs. Melokwe Mathamsanqa	455,064	521,226	976,290
	3,164,401	**3,622,771**	**6,787,172**

Councillors	Salary	Total
Councillor Leutlwetse - Deputy Mayor	489,307	489,307
Councillor Jordan V.	376,979	376,979
Councillor Witbooi P. J.	356,277	356,277
Councillor Sephekolo M. G.	356,277	356,277
Councillor Segano S. J.	356,277	356,277
Councillor Seikaneng L. F.	356,277	356,277
Councillor Kaebis L. L.	186,732	186,732
Councillor Kgopodithata O. H.	143,423	143,423
Councillor Modise K. J.	143,423	143,423
Councillor Josop D. S.	143,423	143,423
Councillor Gomolemo	143,423	143,423
Councillor Mokgautsi O. E.	143,423	143,423
Councillor Nhlapo M. M.	143,423	143,423
Councillor Kaotsane G. G.	143,423	143,423
Councillor Makoku M.	143,423	143,423
Councillor Gwai L. B.	143,423	143,423
Councillor Dioka G. M. S.	143,423	143,423
Councillor Gaobodiwe O. W.	143,423	143,423
Councillor Morogong N. S.	143,423	143,423
Councillor Earabang O. J.	143,423	143,423
Councillor Matebese I.	143,423	143,423
Councillor Lentsela M. S.	143,423	143,423
Councillor Katong K. J.	143,423	143,423
Councillor Block J.	143,423	143,423
Councillor Sesing T. I.	143,423	143,423
Councillor Tswere K. N.	143,423	143,423
Councillor Sekamoeng K. P.	143,423	143,423
Councillor Tagane G. C.	143,423	143,423
Councillor Matsioloko O. A	143,423	143,423
	5,633,432	**5,633,432**

52. Prior period errors

During the year under review, the following errors were identified for prior year Annual Financial Statements:

The correction of the error(s) results in adjustments as follows:

52. Prior period errors (continued)

Non-Current Assets						
Property, plant and equipment		2,753,978,878	(387,445,660)	-	2,366,533,218	[5]
		2,753,978,878	(387,445,660)	-	2,366,533,218	
		2,753,978,878	**(387,445,660)**	**-**	**-**	
LIABILITIES						
Current Liabilities						
Trade payables		72,840,839	(22,890,035)	-	49,950,804	[6]
Non-Current liabilities						
		-	-	-		
TOTAL LIABILITIES		72,840,839	(22,890,035)	-	49,950,804	
NET ASSETS		2,681,138,039	(364,555,625)	-	2,316,582,414	
Expenditure						
Bulk purchases		15,697,797	(665,243)	-	15,032,554	
Contracted services		15,392,947	301,398	-	15,694,345	
General expenses		33,033,745	(138,133)	-	32,895,612	
		64,124,489	**(501,978)**	**-**	**63,622,511**	
Other						
Irregular expenditure	275,392,390	(149,443,029)	-	-	125,949,361	[12]

- [1] Receivables from non-exchange transactions and consumer debtors due to non-payment of accounts by customers.
- [2] Unspent Conditional Grants and Receipts due to funds remaing after projects.
- [3] Employee benefit obligation was not budgeted for.
- [4]Interest received exceded budget due to new investment portfolios with ABSA and Standard Bank.
- [5]Finance costs increased due an increase in financial liabilities.
- [6]Finance leases decreased due to repayment of loan.
- [7]Demand for water exceeded budget.